



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 858** HLS 09RS 1566
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.: HB 547

Date: June 19, 2009	3:19 PM	Author: PONTI
Dept./Agy.: Revenue		
Subject: Expands wind/solar credit beyond property owners		Analyst: Deborah Vivien

TAX CREDITS EG1 DECREASE GF RV See Note Page 1 of 1

Expands eligibility for the wind and solar energy system tax credit to taxpayers who purchase and install such systems in residential properties

Current law provides a refundable income tax credit of 50% of the first \$25,000 of the cost of purchase and installation of wind or solar energy systems to residential structures located in the state, including apartments. The credit is available for both new and retrofitted installations to the owner of the structure.

Proposed law retains current law and expands the refundable credits to taxpayers that do not own the structures into which the systems will be installed. Proposed law also states that the system will not be eligible for additional credits upon resale and that past credits must be disclosed to the purchaser. The measure stipulating how the credit will be claimed by an apartment project owner is repealed. The bill also removes the restriction that transference of energy must be through a separate apparatus. The proposed credit is applicable to eligible amounts paid on and after January 1, 2009.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

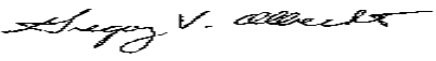
While any individual tax credit like the one proposed by this bill adds only minor additional administrative costs to the Department of Revenue, passage of some number of additional exemptions will add material additional administrative costs to the Department of Revenue.

REVENUE EXPLANATION

State general fund revenue will likely decline by an indeterminable amount in Fiscal Year 2009-10 and thereafter due to the proposed legislation. A federal credit of 30% of the purchase price and installation costs for commercial and residential property implementation of wind or solar power systems has been available for some time but the \$2,000 cap was only recently removed in October, 2008. The federal credit is now available on systems operational before December 31, 2016. Any impact from this improved federal credit has not yet been established, but it could increase the demand for solar and wind energy systems. The current state credit for residential installations is available for the first time on tax year 2008 returns. The state credit being amended by this bill is refundable so any credits claimed will reduce state revenue collections regardless of the tax liability of the tax filer.

The current credit is limited to the lesser of 50% of the purchase and installation of a system or \$12,500. However, the Department of Revenue has found that larger systems can be split into smaller systems in order to qualify for a larger credit. There is no household maximum on credits. However, once determined as an eligible system, only one credit is allowed fro that system.

Tax year 2008 marks the first year that the credits were available. According to the Department of Revenue, as of April 28, 2009, credits totaling \$648,509 have been claimed on 143 individual income tax forms with a final filing deadline of May 15. Extending this credit to non-owners and allowing the rental of systems will possibly increase the utilization of the credit but the increase cannot be established with certainty. Given the relatively small amount of use thus far, it is unlikely that annual revenue loss would increase drastically. However, without a pattern of utilization on the existing credit and the unknown impact of a recently uncapped 30% federal credit, it is possible that costs could increase substantially over the next few years

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	Gregory V. Albrecht Chief Economist